

Page Denied

Next 1 Page(s) In Document Denied

Central Intelligence Agency

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Washington, D. C. 20505

DIRECTORATE OF INTELLIGENCE

February 1984

CENTRAL AMERICAN MONTHLY REPORT #7 [REDACTED]

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Overview

Insurgent activity throughout Central America declined in February. Nevertheless, the region's continuing instability was reflected in stepped up political maneuvering in each of the four nations now scheduled to hold elections this year. While most of these contests represent, in varying degrees, opportunities for democratic advancements, each also could generate additional turmoil. [REDACTED]

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Political activity is intense in El Salvador as the 25 March election nears. While six candidates contesting the presidency offer clear choices ranging from extreme right to center-left, the chances of any one candidate winning a majority appear slim. Consequently, a runoff is likely some 30 days after the first ballot counting is complete. The period between the voting probably will be characterized by bitter partisanship that could generate new political violence. [REDACTED]

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Despite such difficulties, the Salvadoran competition will contrast sharply with that recently announced in Nicaragua for late 1984. The Sandinista regime is already proclaiming the election as evidence of Managua's commitment to pluralism. Nevertheless, the contest appears designed primarily to legitimize the revolution and to reduce foreign

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Copy 18 of 67

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criticism of Nicaragua's repressive policies. These objectives notwithstanding, the Sandinistas are unlikely to allow any political opposition to mount a serious challenge to their rule.

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The risks inherent in moving from military-dominated governments to democratic rule—and particularly the potential for generating greater instability—are becoming increasingly pronounced in Guatemala and Panama. Although Guatemala's plans for a constituent assembly election in July are moving ahead, the election campaign is causing a surge in political violence that threatens to undermine the legitimacy of the balloting at home and abroad. In Panama, the resignation of President de la Espriella, the accession of left-leaning President Illueca, and the growing political strength of opposition leader Arnulfo Arias have beclouded that country's presidential contest now scheduled for May. The key player at this point remains armed forces Chief Noriega, who would be strongly tempted to take preemptive actions to derail any prospect that the thrice-deposed Arias might again become president.

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EL SALVADOR

Political

The presidential election campaign intensified in February, and recent polls continue to show high voter interest. Whether this interest will translate into a turnout on 25 March approximating the 80 percent who participated in the 1982 Constituent Assembly contest appears problematic, however, particularly as the voter registry is incomplete. In addition, 78 of the country's 261 municipalities are in areas under guerrilla control—more than double the municipalities the insurgents controlled during the last election.

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indicate that Christian Democratic candidate Napoleon Duarte is running ahead of extreme rightist Roberto D'Aubuisson, with Francisco Guerrero's center-right National Conciliation Party in third place and the minor parties far back. Attempts by rightists to formalize a coalition have been unsuccessful, and under the recently passed electoral law, the deadline has passed for changes in candidates or slates. As a result, there now appears to be little chance that anyone will win a majority on 25 March, suggesting that a runoff between the top two will take place in late April or early May. The period between the first and second election rounds will be one of intense political jockeying and courting of the third-place finisher, probably Guerrero, who appears at this point slightly more sympathetic to Duarte than to D'Aubuisson.

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The insurgents' desire to undercut the election was emphasized in early February when they unveiled a 20-point plan calling for negotiations with San Salvador and Washington. Although the guerrillas know that demands for power sharing, restructuring the military, and other prerequisites remain unacceptable, they probably calculated that the proposal would garner them additional international support and possibly cause dissension both within Washington and San Salvador.

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Military

Insurgent activity declined somewhat during February as the guerrillas apparently attempted to resupply, to avoid government sweeps in the war-torn east, and to display their strength in the generally more peaceful western departments prior to the election. As a result, government forces had some success in regaining the tactical initiative, including dislodging guerrillas from some base areas in the east and reoccupying several towns long held by the insurgents.

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Only three significant guerrilla attacks were reported during the period. In eastern Cabanas Department, insurgents overran and temporarily held a small town before a successful counterattack by the Army. The other two attacks occurred in La Libertad Department, where guerrillas overran a farmers cooperative, and another one in Santa Ana Department, where they temporarily captured a remote village.

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The collision of two UH-1H helicopters in mid-February was a serious blow to the Salvadoran Air Force. The loss of the helicopters will further complicate resupply, and the deaths of four pilots will aggravate the already serious pilot shortage.

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had indicated that the Army's improving airlift capability was instrumental in operations in Cabanas Department. Airborne units also overran an insurgent command post near San Gerardo in northern San Miguel Department, inflicting heavy casualties and capturing rifles, munitions, and guerrilla documents, as well as several prisoners.

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Support for Insurgents

Despite previous indications that Nicaragua, at Cuba's behest, was modifying its support for the Salvadoran guerrillas following US actions in Grenada, recent information suggests Havana is no longer counseling the Sandinistas to show greater flexibility.

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Managua say two high Cuban officials admitted to them in late February that Havana had advised the Sandinistas against making any additional unilateral gestures toward Washington. The Cubans indicated that this included the closure of the Salvadoran guerrilla communications center, which apparently continues to function near Managua.

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NICARAGUA

Political

The Sandinistas used ceremonies marking the 50th anniversary of Sandino's assassination to announce that they were moving up elections from 1985 to 4 November 1984. While the Sandinistas depicted the decision as evidence of their commitment to pluralism, [] told the press that it was calculated to preempt a possible increase in US aggression following the US presidential election. By month's end, the Council of State had approved 20 articles of the draft electoral law, as well as changes to the government's statute to permit presidential elections. []

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The democratic opposition did not object to the new election date, [] but viewed the surprise decision to lower the voting age to 16 as additional evidence that the regime, which remains popular with Nicaragua's youth, will use all means to win. The opposition has tried to focus attention on its electoral proposal for more freedoms and a national dialogue—to include the insurgents—and threatened to boycott the elections if its terms are not met. Nevertheless, we see no signs that any party has even begun to develop a platform to challenge the Sandinistas, and the democratic opposition as a whole has been unable to devise a coordinated strategy. []

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The Sandino anniversary did not attract the level of foreign representation that the Sandinistas expected, and they cancelled a scheduled address because no guest of sufficient rank attended. Nevertheless, the Sandinistas welcomed the early February visit of Swedish Prime Minister Palme—the first West European head of government to visit since the ouster of Somoza—as evidence of Socialist International support. Palme's statements were generally supportive, but he prodded the Sandinistas on the need for political freedom. []

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Election issues also may further strain Church-state relations. Although the government backed down from a confrontation with the Church in early February on the autonomy of religious education, tensions could increase again if religious leaders press for greater electoral freedoms. []

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The three major anti-Sandinista insurgent groups were unable to upstage the Sandino anniversary with an announcement that they had unified, but they publicly indicated their talks were continuing. The Nicaraguan Democratic Force also recently moved to improve its image by publicly announcing that it was purging some former National Guardsmen and reorganizing to give civilians greater control over military operations. []

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Military

Fighting in the north subsided during February as units of the Nicaraguan Democratic Force returned to Honduras for supplies and briefings on future operations.

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Insurgent officials claimed responsibility for several attacks in early February against facilities they say provide support to Salvadoran guerrillas based in Nicaragua.

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Joint air-and-sea raids also were conducted against the northwestern ports of Aposentillo and Potosi, which have been associated with arms deliveries to the Salvadoran insurgents.

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Misura insurgents also stepped up pressure on the Sandinistas in the mining region of northern Zelaya Department near Siuna. In addition, Misura officials claimed their units overran several border towns in the northeast but added they would not attempt to hold them.

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the Sandinistas had sent reinforcements to the area

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Members of Eden Pastora's Democratic Revolutionary Alliance continued to clash intermittently with government forces in southern Zelaya Department, principally around Nueva Guinea and near the border with Costa Rica. ARDE forces say they downed a Soviet-made MI-8 helicopter in early February.

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As the month ended, ARDE officials announced that they had mined the key ports of Corinto and El Bluff. Managua claims one fishing boat was damaged and another sunk by the mines at El Bluff.

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Press reports indicate that a harbor dredge owned by a Dutch firm was damaged at Corinto when it struck a mine.

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press statements by the Sandinistas, however, indicates that shipping activities have resumed.

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[redacted]

Improved weather conditions allowed the Sandinistas to move ahead with construction on several important facilities. [redacted] construction accelerated at Punta Huete airfield near Managua, [redacted] is being built with Cuban assistance. The main runway is in the early stages of construction, but the estimated 2,300-meter parallel taxiway is nearing completion and could soon support some limited operations by fighters. At the current pace, however, completion of the apparently major combat base is unlikely until 1985 or later. In addition, [redacted] that work is under way again on La Rosita airfield in northern Zelaya Department and on the new runway at Bluefields. [redacted]

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The Sandinistas also continued to improve their air defense capabilities. [redacted]

[redacted]

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New installations and other improvements also are underway to support the expanding Nicaraguan armed forces. [redacted]

[redacted]

The inaugurations of two basic training schools in Matagalpa also were announced in February. [redacted] the active duty force has grown by some 10,000 men over the past year to nearly 50,000. We also estimate that there are another 40,000-65,000 unmobilized reservists and militia [redacted]

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Economic

Managua, despite a ban on labor actions, authorized a 50-percent wage increase to end a strike by Sandinista unionists at the country's largest sugar refinery. The regime probably yielded because it did not want to use repression against workers it claims to represent. Nevertheless, the Sandinistas will face tough choices between repression and inflation if labor actions spread. [redacted]

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Deliveries of Mexican crude oil have resumed at Puerto Sandino. [redacted]

[redacted]

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GUATEMALAPolitical

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Despite the challenges to Mejia, the process leading to constituent assembly elections continued last month. The government says over 1.5 million voters have been registered, and several parties have submitted the 4,000 signatures necessary to become legally inscribed. The electoral campaign is being increasingly marred by politically-motivated abductions and assassinations, however, which could undercut its legitimacy at home and abroad. A leader of a new center-left party recently charged, for example, that the violence was inhibiting political activity and he subsequently resigned his party position. In another case, leaders of a new leftist party believe that ultrarightists were responsible for the recent assassination of a colleague, [REDACTED]

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[REDACTED] Continuing intimidation of the new parties is likely to benefit the rightist parties in their efforts to win control of the assembly. [REDACTED]

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Military

Despite the increase of rural guerrilla attacks and urban terrorism noted in January, the military continues to keep the insurgents on the defensive by sustained day and night patrols in contested areas. The Army is trying to dislodge some 500 insurgents from a stronghold in northern Guatemala near the Mexican border and, [REDACTED]

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[REDACTED] has destroyed seven guerrilla bases during recent operations there. The military also plans to bolster troop strength and improve its pursuit and reinforcement capabilities by establishing a quick-reaction battalion and a river patrol base in the Peten. [REDACTED]

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[REDACTED] Although the January surge of activity suggested that the guerrillas are able to increase attacks for short periods, their

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organizational problems and stepped-up military operations against them are likely to preclude major insurgent gains anytime soon. [REDACTED]

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Economic

Mejia is already taking steps to protect the military's institutional concerns once a civilian government takes over. Although the 1984 budget keeps total spending at 1983 levels, it calls for a 26-percent increase for the Defense Ministry at the expense of agriculture. Mejia already has increased military arms and equipment purchases substantially over the last several months, and he also plans to increase troop strength by at least 3,000 this year [REDACTED]

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HONDURAS

Political

The opposition National Party, sharply divided during the past two years over dissident efforts to undercut the influence of veteran leader Ricarado Zuniga, papered over its differences by selecting former Chief of State Juan Melgar Castro as party president. [REDACTED] Melgar was chosen as a compromise candidate at the party's convention in February partly because he would not be competing for nomination as the party's presidential candidate in the election scheduled for 1985. Melgar, Honduras' president from 1975-1978, is constitutionally ineligible to hold the office again. [REDACTED] some military officers with close ties to Armed Forces Commander General Alvarez lobbied for Melgar's selection. Such alleged military involvement has raised fears, especially among ruling Liberal Party leaders, of a revival of the traditional alliance between the Nationalists and the military. [REDACTED]

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The concerns of Liberal leaders are being exacerbated by their party's own factionalism. According to press reports, some leftist elements have formalized their opposition to the party's center-right orientation. [REDACTED]

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Liberal alternatives to the party's ideological mainstream already exist, however, and the dissidents appear to have little immediate prospect of picking up much financial or other support. [REDACTED]

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Although the election is over a year away, political maneuvering already is beginning with the National Party attacking the ruling Liberals over their compensation negotiations with a US citizen whose land was expropriated for use by the Regional Military Training Center. President Suazo has committed his government to the negotiations through his letter of accession to the Caribbean Basin Initiative. Any effort to renege would jeopardize Honduras' ability to take advantage of the Initiative. [REDACTED]

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Economic

Honduras and the IMF have held initial discussions on a 1984 standby agreement. Honduran officials have told the [] that the Fund is not insisting on a formal devaluation, but it will require Tegucigalpa to convert more trade transactions at the costly parallel rate, thereby effectively devaluing the lempira. The Fund is willing to send a negotiating team to Honduras in early April, [] providing that the Suazo government undertakes some economic policy reforms. []

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COSTA RICA

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Political

San Jose's concerns over the influx of the Nicaraguan refugees increased in February as anti-Sandinista leader Pastora sought asylum for some 273 of his unarmed supporters. [] almost one-third of these were denied asylum because the government regarded them as potential combatants. Nevertheless, they have been temporarily housed in one of two UN camps whose combined population of some 2,700 is taxing the facilities. Administration officials worry that a continuing influx of Nicaraguans, especially anti-Sandinista sympathizers, will undermine Costa Rica's neutrality and provoke unrest in the overcrowded camps. []

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At month's end, relations with Nicaragua soured when Sandinista troops crossed the border and attacked Costa Rican security forces. After a week's deliberation, San Jose recalled its Ambassador to Managua, sent a protest note to the OAS, and began reinforcing the border with civil guard units. In our view, the Monge administration's reluctance to adopt such forceful measures following previous border incidents probably was reversed this time by strong public pressure for a vigorous response. San Jose is anxious to maintain a dialogue with Managua, however, and will probably resume normal relations soon. []

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On the domestic front, [] the split between moderates and extremists in the Communist party continues to widen. The growing likelihood that the moderates will fail to regain control of the party machinery increased the prospects that they will soon form a new party. Although a formal split would severely weaken the already limited influence of the Communists in Costa Rica, it would also lessen the restraints on the more radical elements. []

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Central Bank President Castillo has told the US Ambassador that he expects Costa Rica to exhaust its liquid foreign exchange holdings by mid-March. As a result, the Monge administration has begun an intense effort to persuade foreign governments and commercial banks to provide \$50 million to bridge the foreign exchange gap until IMF and US aid disbursements are made late this spring. The IMF negotiating team is now in

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Costa Rica, but an accord is unlikely before April. [redacted] that the IMF is considering a 1984 standby agreement of \$50 million—just half of last year's standby—and will insist that San Jose take further austerity measures to balance its foreign accounts. Finally, San Jose has announced that it is suspending payments due on its government-to-government debt and is requesting a Paris Club meeting to reschedule the 1984 payments on these bilateral obligations. [redacted]

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PANAMA

Political

The resignation of former President de la Espriella and the formation of a strong coalition around opposition presidential candidate Arnulfo Arias initiate what we believe will be a period of protracted political turmoil in Panama. [redacted]

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The administration of recently installed President Illueca, is transitional, and it is unlikely to depart significantly from its predecessor's policies. [redacted]

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Illueca already has appointed representatives from the pro-government National Democratic Union to the Cabinet. Nevertheless, Illueca's strong leftist views and propensity for taking stands at variance with official policy will make his position with the military tenuous at best. For example, Illueca had his vice-presidential duties curtailed late last year following his public criticism of Panamanian involvement in regional military affairs, which had been openly supported by Noriega. [redacted]

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Noriega's apparent failure to reach an accommodation with the increasingly confident Arias will reinforce the armed forces' desire to prevent another Arias presidency. [redacted]

[redacted] Arias indicated that he would not seek to remove senior officers on his own, but added that he would not tolerate the lavish lifestyles of some officers. He also said police investigatory functions would have to be returned to civilian control and the law changed to underscore the president's role as commander in chief. Although Noriega ostensibly will move ahead with plans to hold the election in May, he also probably will be looking for ways either to postpone it or rig the results. If Arias were to win, Noriega would be likely to consider a coup against him before he took office in October. [redacted]

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BELIZE

Prime Minister Price has begun a campaign to reassert his political dominance and to revitalize his party in time for general elections later this year. The opposition victory in recent local elections and economic problems, however, may presage a close national contest. Price shuffled his cabinet in January in order to warn left-and-right wing elements to end their public squabbling before the electoral campaign heats up. He also moved to strengthen his own position by adding the defense ministry post to his portfolio, which already includes the finance ministry. His recent official state visit to Honduras, moreover, may have been intended to remind voters that he is the only political leader of international stature in Belize.

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The election outcome may hinge on improvement in the depressed economy, and the government faces another year of revenue shortfalls due to its subsidy of inefficient state enterprises and its mounting debt service. Price is unlikely to raise taxes in an election year, and instead will try to ease economic problems by gaining increased foreign assistance.

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REGIONAL PEACE NEGOTIATIONS

The four Contadora Foreign Ministers met in Panama in late February to discuss the progress of the political, security, and economic working commissions composed of all nine countries. They submitted questionnaires to the five Central American nations on their political and human rights situations, as well as on their military inventories.

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reporting indicate that the "Core Four" Central Americans continue to suspect the Contadora mediators of tilting towards Nicaragua. They fear that the Contadora countries will attempt to give the "technical committee", comprised of the Contadora Vice Foreign Ministers, a greater role in future negotiations than the working commissions.

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New strains in relations between Guatemala and Honduras are threatening Core Four unity. The recent visit to Honduras of Belizean Prime Minister Price prompted the Guatemalan government to lodge an official protest and recall its ambassador. Statements by the Guatemalan foreign minister indicate that Guatemala fears that Belize, which it claims as its territory, is attempting to gain admittance into regional organizations.

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For their part, Honduran leaders are growing increasingly frustrated by Guatemalan and Salvadoran unwillingness to formulate tougher treaty terms at Contadora which would press the Sandinistas for more democratic reforms prior to the Nicaraguan elections in November. the Hondurans believe that Guatemala and El Salvador are reluctant because such treaty terms would pose unacceptable restrictions on their own electoral processes.

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